

Message Text

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INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 EA-11

IO-15 NEA-10 OPIC-12 SIL-01 DRC-01 /222 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4578

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 11575

E.O. 11652: XGDS-1

TAGS: ETRD, GATT, US, EC, UK

SUBJECT: ARTICLE XXIV:6 NEGOTIATIONS

BEGIN SUMMARY

DURING VISIT TO LONDON OCTOBER 4-5 AMBASSADOR EBERLE
HAD OPPORTUNITY FOR DETAILED EXCHANGE OF VIEWS ON
CURRENT STATUS GATT ARTICLE XXIV:6 NEGOTIATIONS WITH
OFFICIALS DEPARTMENT OF TRADE AND INDUSTRY AND MINISTRY
AGRICULTURE, FOOD AND FISHERIES. IN BRIEF, BRITISH
WERE "SURPRISED" TO HEAR THAT SOME OF THEIR EC PARTNERS
THOUGHT THEY WERE "DRAGGING THEIR FEET" ON SOME ITEMS
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OF INTEREST TO THE U.S. AND DID THEIR BEST TO DISPEL

THIS IMPRESSION, PARTICULARLY WHERE TRUCKS AND NON-
AGRICULTURAL TRACTORS WERE CONCERNED. EBERLE NOTED
IMPORTANCE OF MAKING SUBSTANTIAL AND VISIBLE PROGRESS
IN NEGOTIATIONS TO CONGRESSIONAL ACTION ON TRADE BILL.
END SUMMARY

1. MEETING IN DEPARTMENT OF TRADE AND INDUSTRY
CHAired BY SIR MAX BROWN (SECRETARY, TRADE) AND ATTENDED
BY RRESTON (DEPUTY SECRETARY), L (UNDER SECRETARY),
JONES (NORTH AMERICAN DESK) ALLOT AND GENT (ASSISTANT
SECRETARIES) AND SMITH (UNDER SECRETARY), MINISTRY OF
AGRICULTURE, FOOD AND FISHERIES) CENTERED ON STATUS OF
ARTICLE XXIV:6 NEGOTIATIONS. EBERLE BEGAN BY U.S.
REGRET AT LONG DELAYS EXPERIENCED BY NEGOTIATIONS. HE
EMPHASIZED THE DIFFICULTY
OF EXPLAINING THESE DELAYS TO CORESS, WHICH NOW HAD
TEXT OF WAYS AND MEANS COITTEE VERSION OF TRADE BILL
AND WOULD SHORTLY BEGIN CONSIDERATION OF BILL. HE
NOTED THAT ARTICLE XXIV:6 NEGOTTIONS CAN NO LONGER
BE TREATED IN LOW KEY MANNER, AND THAT SOME FORM OF
PUBLIC QUESTION AND ANSWER COULD BE EXPECTED IN
CONNECTION WITH HOUSE CONSIDERATION OF TRADE BILL
ON OCTOBER 16. THE BASIC PROBLEM WAS HOW TO MOVE
ALL NEGOTIATIONS FORWARD FASTER.

2. EBERLE CONTINUED THAT WE UNDERSTOOD FRENCH WOULD
RESERVE ONLY ON KRAFT PAPER, LARD, OUTBOARD MOTORS AND
TRUCKS, PROVIDED THERE WAS MOVEMENT FROM UK SIDE. HE
EXPLAINED U.S. INTEREST IN KRAFT PAPER AND LIKELIHOOD
THAT EC IMPORTS FROM SCANDINAVIA WOULD MAKE IT POINTLESS
FOR HIGH COST FRENCH AND ITALIAN PRODUCERS TO CONTINUE
TO HOLD OUT.

3. DISCUSSION THEN TURNED TO TRUCKS. FOLLOWING
EXPLANATION OF BRITISH POSITION COVERS POINTS MADE
TO AMBASSADOR EBERLE AND THOSE MADE IN MORE DETAILED
SUBSEQUENT DISCUSSION BETWEEN EMBASSY AND DTI OFFICERS.
WITH REGARD TO HEAVY TRUCKS (CCT 87.02BII A I),
THE CXT IS 22 PERCENT AND THE COMMISSION PROPOSED A
REDUCTION TO 17 PERCENT. OF TRUCKS INCLUDED UNDER
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THIS ITEM, SOME HAVE BEEN DUTIABLE ON IMPORT INTO UK
AT 7.5, SOME AT 22. UK TRADE DATA SHOWS AVERAGE
IMPORTS FROM U.S. IN 1970/71 OF TRUCKS DUTIABLE AT
7.5 VALUED AT \$3.1 MILLION AND OF TRUCKS DUTIABLE AT
22 PERCENT VALUED AT \$22,000. BRITISH HAVE THUS
INFORMED COMMISSION COULD ACCEPT ITS PROPOSAL (FOR
REDUCTION TO 17 PERCENT) OF THOSE ITEMS IN WHICH U.S.
HAS SUBSTANTIAL TRADE INTEREST, AND SUGGESTED THAT

THIS BE ACCOMPLISHED BY IDENTIFYING THESE ITEMS IN CCT.
UK RESERVATION ON REMAINDER IN WHICH US TRADE INTEREST
IN UK APPEARS SLIGHT, BUT IN WHICH BRITISH BELIEVE
JAPANESE HAVE SUBSTANTIAL LATENT POWER, STILL STANDS.
EBERLE NOTED US WOULD PREFER SEE 17.5 PERCENT CCT
OFFER FURTHER REDUCED TO 10 PERCENT, WHICH WOULD STILL
GIVE UK ADDITIONAL PROTECTION OF 2.5 PERCENT.

4. EC HAS BEEN INFORMED OF SIMILAR, PARTIAL LIFTING
OF UK RESERVATION ON NON-AGRICULTURAL TRACTORS (CCT
87.01 C) WHERE COMMISSION PROPOSED REDUCTION OF DUTY
FROM 20 PERCENT TO 17 PERCENT. UK IMPORTS FROM US
OF THOSE TRACTORS DUTIABLE AT 7#5 PERCENT WERE VALUED

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AT \$4.5 MILLION ON AVERAGE IN 1970/71. UK IMPORTS OF THOSE TRACTORS DUTIABLE AT 22 PERCENT WAS \$286,000. HOWEVER, UK HAS INFORMED COMMISSION IT CAN ACCEPT PROPOSAL TO REDUCE CCT ON ITEMS OF INTEREST TO US FROM 20 PERCENT TO 17 PERCENT, WHICH OF COURSE WILL INCREASE UK TARIFF FROM 7.5 PERCENT TO 17 PERCENT. BROWN WENT ON TO SAY UK HAS PROPOSED ADDITION OF THREE ITS OF INTEREST TO US, UNEXPOSED FILM, ANTI-KNOCK PREPARATIONS AND OUTBOARDS, ON EACH OF WHICH UK SUGGESTS EC REDUCE CXT TO CURRENT BRITISH LEVEL. (WE UNDERSTAND THAT FRG SUPPORTED LESSER REDUCTION OF CXT ON FILM AND OUTBOARD THAN THAT

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PROPOSED BY UK, AND THAT FRANCE AND ITALY OPPOSED CONCESSIONS ON ANTI-KNOCK PREPARATIONS WHILE ITALY AND BELGIUM OPPOSED CONCESSION ON OUTBRDS. UK S ALSO PROPOSED 10 PERCENT TARIFF REPLACE VARIABLE LEVY ON LARD, THAT CONCESSIONS BE OFFERED ON HONEY (OF INTEREST TO AUSTRALIA), THAT RATE ON TOBACCO (2401A) BE REDUCED TO RATE FOR CHEAPER TOBACCO (33UA PER 100 KG) AND TT ORANGE IMPORT PERIOD BE LENGTHENED BY ADDITION OF MAY TO PERIOD. UK HAS SUPPORTED FRENCH PROPOSAL TO REDUCE RANGE OF CXT ON OFFAL FROM 6-14 PERCENT TO 0-6 PERCENT AND ITALIAN PROPOSAL TO REDUCE CXT ON PRUNES (0812C) FROM 16 PERCENT TO 10 PERCENT.

5. BRITISH REACTION TO EBERLE'S COMMENT THAT FRANCE HAD RESERVATION ON TRUCKS BUT NOT ON AGRICULTURAL TRACTORS WAS ONE OF SURPRISE, AND BROUGHT FORTH COMMENT THAT FRANCE HAS NOT YET CHANGED ITS POSITION IN INTRA EC DISCUSSIONS.

6. EBERLE RAISED EXCAVATING EQUIPMENT. IN RESPONSE TO BRITISH QUESTION EBERLE SAID U.S. HOPED FOR REDUCTION IN DUTY TO 5 PERCENT. BRITISH NOTED UK TARIFF IS 7.5 PERCENT AND CXT IS 11 PERCENT AND COMMENTED THAT ITEM HAS NOT YET BEEN DISCUSSED IN BRUSSELS. UK FAIRLY CERTAIN FRENCH WOULD STRONGLY OPPOSE ANY CONCESSIONS.

7. DISCUSSIONS CONCLUDED WITH BRIEF EXCHANGE ON FILM. UK WONDERED IF JAPANESE MIGHT NOT BE CHIEF BENEFICIARIES IN LONG RUN. EBERLE SAID U.S. INDUSTRY IS CONFIDENT IT CAN COMPETE WITH JAPANESE. SUMMING UP, BROWN REFERRED TO ALLEGATIONS THAT BRITISH "DRAGGING THEIR FEET" AND SAID "AS YOU CAN SEE, WE ARE DOING OUR BEST."

8. IN MEETING THE FOLLOWING DAY WITH SIR GEOFFREY
HOWE, MINISTER OF TRADE AND CONSUMER AFFAIRS, FOREGOING
DISCUSSION WAS QUICKLY SUMMARIED. EBERLE AGAIN
EMPHASIZED THAT DELAYS IN XXIV:6 NEGOTIATIONS WOULD
BE DIFFICULT TO DEFEND TO CONGRESS AND EMPHASIZED NEED
FOR RAPID PROGRESS.

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